

# CRISIS OR OPPORTUNITY?

## THE ECONOMIST ANTONY FEENY IMAGINES AN ALTERNATIVE FUTURE FOR OPERA

Predictions about the future of opera are rarely bursting with unqualified optimism, but the prognoses now are especially pessimistic. With little clarity about when theatres and concert halls may fully reopen, there is no shortage of prophets foreseeing that fearful audiences will stay away in droves, that virus-prone stages and auditoria will be half-empty owing to distancing requirements, that large-scale performance is a luxury of the past, and that hundreds of skilled musicians could soon be out of work.

Maybe, or maybe not. We could still be debating these questions in a year or two while in the grip of this or another pandemic outbreak—or the opera world might have recovered at least some degree of ‘normality’, albeit leaving considerable destruction and unhappiness in its wake. Some hope for a *deus ex machina*, perhaps in the form of a vaccine that could restore the *status quo ante*, or of a sustained bail-out by our various governments. The latter is more likely in a country such as Germany where operatic culture is highly valued, but a case could also be made for providing government support in such countries as the UK or the US, which usually prefer to leave such things to the market. The UK government calculated that ‘music, performing and visual arts’ contributed £9.3bn in 2018 to the UK economy (or 0.5% of Gross Value Added), and the US National Endowment for the Arts and Bureau of Economic Analysis estimated that ‘performing arts’ added at least \$14bn to the US economy in 2017, so you could argue that their respective governments have a strong economic incentive to ensure their survival—particularly since the money needed to support the arts would be insignificant compared to the hundreds of billions currently being spent to sustain their economies.

But I’m going to side-step prophecy. I’m instead going to speculate in a positive way about what might happen if that *deus ex machina* were to assume the form of an enlightened capitalist investment manager who invited select clients to contribute, say, €100m to a new Opera Social Investment Fund as a practical (if admittedly risky) way to invest capital with some chance of a return, as well as an attempt to ensure that future generations continue to enjoy access to a cultural experience investors also value. This fund would aim to present opera profitably in a way that would match the diminished resources of an adverse commercial climate, the possible social distancing requirements for audiences and musicians, and the aspirations of a new generation of opera-goers less committed to past forms of presentation.

Let us imagine that the Opera Fund were to be used to establish a company, *OPERA21*. What might *OPERA21* be, and how might it function?

### Widening appeal

Most readers will be all too aware that opera has never been a mass-market art form in the way that we understand the term nowadays. Nor is it a particularly big business, with approximately 25,000 main-company performances worldwide annually attracting in recent years an audience of perhaps 20 million, which is only a third or so more than attendance at theatres just in London. This adds up to a global annual turnover of around €5,000 million, which is equivalent to, say, the total cost of the UK’s National Health

Service for a fortnight. Given that some attendees are frequent visitors, it suggests low penetration among local populations, even in opera-loving Germany.

Opera in cinemas is an increasingly important feature of the existing model, but not in financial terms. Even the most widely viewed, New York’s Metropolitan Opera with its Live in HD series, reported digital media revenues in 2018 of less than \$30m, or 10 per cent of its total annual turnover and one third of its box office revenues. Given the risk of cannibalizing live performance revenues, as well as the competition from free digital platforms including YouTube and Opera Europa’s OperaVision, digital opera is still seeking its niche.

So despite its loyal base, opera has yet to develop an offering of sufficiently wide appeal to secure its sustainability in a resource-constrained mass-market world. Could *OPERA21* craft a proposition to draw in a younger and larger group to supplement today’s opera audience, while avoiding the commercial drawbacks of the current opera world? Could it achieve mass-market and profitable opera by satisfying those factors of concern to Opera Fund investors: product; economies of scale; cost minimization; revenues and pricing; marketing and governance? I show below a simple SWOT (strengths, weaknesses, opportunities and threats) analysis of the current and possible *OPERA21* business models to summarize the prospects:

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## Product

The relatively narrow ‘product range’ of opera has come to be seen as normal, although in other businesses it might be viewed with concern. The genre’s back catalogue (if you like) could well amount to tens of thousands of works, but only a tiny proportion are regularly performed with the top ten titles (*Carmen*, *La traviata*, etc.) accounting for around 20 per cent, and the top 100 for around 60 per cent of performances worldwide (per operabase.com). New works appear regularly if infrequently, even though few are revived and even fewer endure, and the selection of old repertoire is typically narrow in most countries. Innovation mainly focuses on imaginative (but often expensive) new productions of the old favourites, and many of these appear to provoke very divided reactions. Even the re-creation of antique performances (‘historically informed practice’) is considered innovative by some opera-goers.

*OPERA21* could aspire to expand opera’s product range, change its presentation, and grow its audience. In the past the way has been shown towards different approaches: jazzed-up music (e.g. *Rent*, Jonathan Larson’s 1996 version of *La Bohème*), rewritten words, shortened versions (e.g. Jonathan Dove’s ‘executive summary’ *Ring*), cover versions, small-scale rejigged performances by shoestring fringe companies, and other ways of bringing the product closer to 21st-century experience in the way that might have occurred when opera was in its heyday and before opera houses assumed their current museum-like status.

*OPERA21* could present a combination of traditional, rediscovered and newly-commissioned operas, performed in different types of venue in varied locations in styles that appeal to emerging generations. While respecting musical and theatrical values, it would abandon an over-reverential attitude to works and performing institutions, and prioritize the spirit rather than the letter (or note) of the music drama. Out go long hours of sitting

*‘Rent’, Jonathan Larson’s version of ‘La Bohème’*



silently rigid straining to see a far-off stage evoking distant memories of much-loved recordings; in come reconfigured operas emphasizing dramatic spontaneity to a spread-out audience in scrappy or even pop-up locations, complete with screens and (ugh!) mobile phones, but, crucially, performed by the same high-quality musicians. Not better, but different—and above all committed to finding ways to ensuring a viable future for opera. Various companies in both the



*'Museum-like'? The auditorium of the Old Met*

mainstream and fringe have of course tried such features on a small scale, but they could be central to a new model backed by sufficient capital.

### Economies of scale

Our current opera houses are as much a dead weight as an asset. Undoubtedly beautiful and rooted in the national consciousness, most date back to an era when audiences went to look at each other as much as at the stage. Often requiring high maintenance, some are so large that a substantial proportion of their audiences can barely see the performers. Their sizes and technical features differ in ways that make it difficult to achieve pre-planned standardization, which complicates—or sometimes prevents—the sharing of productions and other resources, even for those that have sufficient backstage space. Most are owned, governed and operated separately, which limits the potential for the economies of scale achievable in other businesses operating a portfolio of locations. And now if we are to face the dreaded prospect of an age of recurring pandemics, they are ill-suited to accommodating changes in attendance requirements, let alone the adverse economics of reduced occupancy, wider spacing for musicians, and the qualms of the important older demographic.

A new venture has the advantage of not needing to engage with these thorny issues. It could act opportunistically in a potentially changed commercial real-estate market where physically confined venues take a hit while the popularity of open-space venues is enhanced. Some existing locations might be suitable, and new low-cost functional spaces could be found, with social distancing designed in—transparent partitions separating seats on raked platforms, perhaps, or even visors with in-built screens for surtitles and close-ups. Such venues would not need to be as elaborate as recent new-builds such as Garsington's Wormsley (2011) or Grange Park Opera's West Horsley Place (2017), but the rapid construction of those two theatres confirms the potential, at least as regards the capital cost. Larger venues could be augmented with sizeable electronic screens offering the possibility of different and close-up views of the action, to which digital opera viewers are now accustomed.



*Pioneering: the cast of Birmingham Opera Company's 2019 'Lady Macbeth of Mtsensk' takes a bow in Birmingham's disused Tower Ballroom*

Opera boasts high-quality musicians, technicians, directors and other creative staff who constantly demonstrate amazingly high technical and professional standards. They would be more than capable of creating more standardized and moveable productions fitting different types of non-proscenium stage. These productions should be designed to be shifted or recreated easily in different venues to realize economies of scale and cost reduction.

Although touring has never been straightforward and cheap, commercial companies including Ellen Kent's Opera International and subsidized ones including English Touring Opera and Nederlandse Reisopera have managed to make it work using traditional formats. The capital base of *OPERA21* could enable it to pioneer the use of computer-aided techniques from other media, which would both create a different experience and reduce the reliance on unwieldy physical sets. The atmosphere could be akin to musical theatre, or even pop concerts, and would need to be clearly different from cinema relays, particularly since those typically offer artificial aural and visual 'perfection'. *OPERA21* could add digital and streaming capabilities, but would need to differentiate itself from the ever-improving digital competition. Electronically assisted techniques could improve audibility, which has long been an issue for all but the most acoustically superior venues.

Pioneers such as Birmingham Opera Company have shown that it is possible to perform traditional and new opera to high musical standards in pop-up venues and to an audience that moves around with the action. BOC has a socially-orientated rather than a financially-orientated model, and its presentations are not created to be scalable or reproducible, but it shows the potential: this style is not so space-dependent and thus is appropriate for the post-pandemic era. This kind of participative approach is also closer to what new generations grow up with. They may also appreciate function rather than opulence, and facilities should be targeted at the kind of audience that will never feel comfortable in

traditional venues, however much they may be opened up. For example, instead of a Crush Bar serving champagne, *OPERA21* could have a Creche Bar to take care of customers' children, with an adjoining branch of Starbucks.

### Cost minimization

*OPERA21* would need a relentless focus on cost control secured by minimal assets and real estate, appropriate technology, right-sized employment, and cost-aware fittings. Out go the elaborate and expensive costumes that can be seen only by those sitting at the front, for example, to be replaced by standard rented costumes or functional purchases from Primark. Impressive as such craft skills may be, they are part of the old model rather than *OPERA21*'s functional approach where the emphasis is on the communication of ideas and emotions rather than on museum-standard realism.

It has long been recognized that opera's main costs are labour, and there has been no convincing response to the problem of 'Baumol's Cost Disease', formulated in 1966, which argued that such industries as opera with an inevitably high labour component have little scope to increase productivity; as wages rise in other industries, enabled by productivity increases, the costs of opera will rise disproportionately and the costs of performance can be expected to carry on rising more rapidly than the general price level. In line with the wider modern outsourcing philosophies, and in part to reduce labour costs and escape Baumol's Cost Disease, most companies have cut back on their permanent employees and substituted freelancers, or even cheaper students (via young artist programmes, etc.). Some companies, such as the Dutch National Opera, have dispensed with their orchestras and bring in appropriate ensembles as needed, which in Amsterdam's case includes the Royal Concertgebouw Orchestra.

So for *OPERA21*: few full-time employees, 'designed-out' costs, stripped-down versions with fewer performers, some (regrettably but inevitably) piped and amplified instruments and voices, and participatory professional-amateur performances. But, short of viable hologrammatic performers and unacceptably low wage rates, even an *OPERA21* does not have Caspar's magic-bullet solution to the issue of the cost of labour, which affects anyone without the market power of operatic superstars. Tempting as it might be to exploit the fact that the singing market is flooded with talent, in the longer term such exploitation would threaten the future of singers and their long-honed techniques. Viability may rather depend on deploying multiple casts and careful repertory management to 'sweat' infrastructure and marketing assets more effectively while maintaining valuable employment opportunities consistent with a social as well as commercial enterprise.

### Revenues and pricing

If 'grand opera' were to depend purely on box office revenues, like commercial theatre, the average ticket price would need to be several hundred euros—clearly beyond the pockets of most of the audience. Each country has therefore developed a funding mix that reflects its specific traditions, combining box office, government subsidy and donations—these being sustained by tax breaks and the allure of association with a glamorous and intellectual art form.

This remarkable and delicate ecosystem may come under threat, in the shorter term from the plethora of competing demands for public and private funds, and in the longer term from the changing attitudes of its patrons and society at large. Germany is likely to continue to fund opera regardless, but in few other countries will the situation be so stable. Even

before the onset of the recent crisis, potential donors were facing constantly increasing demands for support from medical, social, educational and other causes which have pressing needs and more favourable public profiles than opera, as well as projecting a more positive social return on investment. These demands can only increase, but the pool of funds could fall and the next generation of donors may have other priorities.

These trends threaten the current model of opera, but could create the opportunity for a more commercial model with lower costs, high occupancy, and strong capital base. *OPERA21* would be free to explore different pricing mechanisms: dynamic rather than standard prices for seats, e.g. with differential and time-based pricing, and special offers, which are second nature to airline passengers and younger audiences. The latter have grown up in an era that values innovation, shorter durations, non-stop discounts, digital outputs, and all-round shared experiences—a world far removed from traditional opera but where customers attend rock concerts and football matches for which they are prepared to pay prices higher than for opera.

The reinvention of the sports business shows how it is possible to rethink entertainment business models. The economics of football have been transformed by the sales of global broadcasting rights (albeit while inflating salaries), and even cricket has evolved snappier formats. Opera hasn't even managed the equivalent of some of the more innovative models of modern dance and its popular commercial enterprises such as those of Matthew Bourne. An *OPERA21* can undoubtedly also learn from the practices of the pop music business, such as merchandizing and global reach.

### Marketing and governance

Traditional opera often appears conflicted between its upmarket image, with implied high prices, and its need to project a democratic and popular image emphasizing accessibility,

*Matthew Bourne's enduring production of 'Swan Lake'*



education and outreach. *OPERA21* would avoid this by positioning itself and acting as a new style of opera for the future: smart, flexible, innovative, customer-focused, entertaining rather than worthy, and a fun time for everyone. It would have to engage with its community, using targeted social media and the collection, analysis and deployment of data, as well as locally-oriented marketing.

It would clearly be smart business for *OPERA21* to demonstrate social commitment, to implement transparent governance, and

to embrace low-cost localism and (where practical) participative decision-making. For example: no global opera stars with high carbon footprints and no perception that a small group of ‘faceless bureaucrats’ may be determining ‘the people’s’ opera. It has the potential to attract additional local business (although that argument should be deployed with care since an office block or other enterprise might contribute more to the local economy than opera).



*A cinema audience settles down for a Met Live in HD relay*

## Conclusion

It may be some time before there is clarity on the future evolution of the opera world, let alone the robustness of the traditional model. The longer the uncertainty, the deeper the negative impact on the people, institutions and practices forming the finely balanced operatic ecosystem, along with its supporting socio-economic context. Any alternative model must be sufficiently flexible to accommodate whichever way the arts and our societies develop, as well as operationally able to handle a quasi-socially-distanced environment. I picked a round figure of €100m for the Opera Social Investment Fund, which would be used for artists, technical and production costs, infrastructure and premises, and working capital. This may seem substantial, but it’s less than the annual turnover of each of London’s Royal Opera House and Munich’s Bayerische Staatsoper, as well as the two largest companies, New York’s Metropolitan Opera and France’s Opéra National de Paris.

Those of us who like our opera grand and traditional might flinch at the travesty of tradition that *OPERA21* can be seen as representing, and will hope that the established model can eventually return in the same or a similar form. But we may also have to plan and act on alternative sustainable performing options—options that preserve for the future the spirit of opera’s last 400 years, even if not its exact form. Will an *OPERA21* happen? If we enter an age of pandemics and/or evaporating funding, something must happen to move opera beyond the characteristics and constraints of its 19th-century formats towards a sustainable art form for the 21st and indeed the 22nd centuries.